

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

PA-03 PRS-01 USIA-15 L-03 H-03 RSR-01 /149 W

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R 280627Z AUG 73

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 1568

INFO AMCONSUL BRISBANE

AMCONSUL PERTH

AMCONSUL MELBOURNE

AMCONSUL SYDNEY

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E.O. 11652: N/A

TAGS: ECON, EIND, AS

SUBJ: NATIONAL INVESTMENT FUND ESTABLISHED

1. FEDERAL CABINET ON AUGUST 27 APPROVED ESTABLISHMENT OF A NATIONAL INVESTMENT FUND (NIF), REPORTEDLY A KEY STEP IN ENHANCEMENT OF POWERS OF AUSTRALIAN INDUSTRY DEVELOPMENT CORPORATION WKAIDC) FOR PURPOSE OF "BUYING BACK THE FARM". ANNOUNCEMENT OF CABINET APPROVAL MADE JOINTLY BY MINISTER SECONDARY INDUSTRY CAIRNS AND COMMONWEALTH TREASURER CREAN. CAIRNS QUOTED TO EFFECT THAT "OWING AUSTRALIA FOR THE INDIVIDUAL AUSTRALIAN CAN NOW BECOME A REALITY".

2. FUND WILL BE FINANCED BY MONEY RAISED FROM PRIVATE COMPANIES, LIFE INSURANCE AND PENSION FUNDS, AND PRIVATE INVESTORS BOTH AUSTRALIAN AND FOREIGN (ALTHOUGH LATTER HARDLY MENTIONED IN COVERAGE BY DAILY PRESS OF CABINET APPROVAL OF FUND). FOREIGN INVESTMENT CHanneled THROUGH NIF WILL HAVE BENEFIT OF ADDITIONAL "SWEETENER" IN FORM OF EXEMPTION FROM 25 PERCENT DEPOSIT

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REQUIREMENT IMPOSED LAST DECEMBER IN ORDER TO REDUCE INFLOW OF

FOREIGN CAPITAL.

3. FUND WILL BE ONE OF THREE DIVISIONS OF AIDC. OF REMAINING TWO ONE WILL BE A NATIONAL INTEREST DIVISION TO HANDLE "SPECIAL INTEREST" GOVERNMENT FINANCED PROJECTS. THIRD IS FOR NORMAL FINANCING OF INDUSTRIAL AND DEVELOPMENT PROJECTS FOR WHICH AIDC ORIGINALLY CREATED IN 1970 UNDER LIBERAL GOVERNMENT. ALTHOUGH REPORTING SO FAR SOMEWHAT VAGUE, IT APPEARS THAT ONE OF "SPECIAL INTERESTS" TO BE FINANCED OUT OF APPROPRIATED FUNDS IS BUYBACK FROM FOREIGN OWNERSHIP OF INDUSTRIES REGARDED AS NATIONALLY IMPORTANT. ACCORDING TO AUGUST 27 EDITION WEEKLY NATIONAL TIMES, WHICH CONTAINS MOST COMPLETE COVERAGE NEW SCHEME WE HAVE SEEN, GOA "WILL BE SATISFIED", HOWEVER, IF AIDC ACQUIRES SUBSTANTIAL SHARE OF ALL NEW PROJECTS RATHER THAN CONCENTRATING ON BUYING BACK EXISTING ONES.

4. COMMENT. ALTHOUGH LABOR GOVERNMENT IS TAKING REAL STEPS TO LIMIT FOREIGN OWNERSHIP OF AUSTRALIAN ENTERPRISES, IT APPEARS TO BE CONSCIOUS OF DANGER OF SCARING OFF NEEDED FOREIGN CAPITAL. THIS IS EVIDENCED BY SUGGESTION (PARA 3) AIDC WILL EMPHASIZE CONTROL OF NEW EQUITY RATHER THAN BUYING OUT EXISTING FOREIGN INVESTMENT, AS WELL AS BY REFERENCE TO "SWEETENERS" TO ENCOURAGE CHANNELING OF FOREIGN CAPITAL THROUGH AIDC. NEVERTHELESS ENVIRONMENT FOR FOREIGN INVESTMENT IN AUSTRALIA IS CLEARLY UNDERGOING SIGNIFICANT CHANGE. WE WILL BE WATCHING AIDC CLOSELY AND ASSUME DEPARTMENT WILL WISH US TO REPORT IN SOME DETAIL ON PROGRESS OF ITS REORGANIZATION.

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